

**California Public Employees' Retirement System
Board of Administration**

STATEMENT OF GOVERNANCE PRINCIPLES

October, 2001

(Rev. September, 2006)

Excerpt from Section I – The Board's Role

I. The Board's Role

All authority granted by the Constitution and statutes to the Board of Administration is retained, except as delegated as provided herein. The Board's principal role is to ensure that CalPERS and its programs are appropriately governed and managed. With the overriding goal of protecting Fund assets, the Board's role is to:

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G. Delegation

1. *Definition.* A delegation is the grant of authority from one person or entity (such as the Board or a committee of the Board) with the power to act to another person or entity. A delegation of authority should be distinguished from providing direction, the former being a grant of power, and the latter being a more specific command or order to carry out a particular act.
2. *Delegation of Board Functions.* While, as a general rule, a trustee or other fiduciary should not delegate to others responsibilities that he or she ought personally to perform, it is appropriate to delegate tasks that the individual cannot reasonably himself or herself perform. The members of the Board, themselves, cannot reasonably perform all acts necessary to operate CalPERS; they must rely upon CalPERS staff and contractors to carry out many activities and functions. Accordingly, the Board may delegate responsibilities to committees of its members, to the Chief Executive Officer, and to CalPERS contractors.
3. *Standards for Delegation.* Delegations must be prudent and consistent with the Board's fiduciary responsibilities. The Board and the Chief Executive Officer must (a) select delegates with care, (b) define delegated responsibilities clearly, (c) monitor the performance of their respective delegates, and (d) take corrective action when appropriate.
4. *Sub-Delegation.* When the Board has delegated a responsibility to the Chief Executive Officer, he or she is authorized to delegate to his or her subordinates any portion or all of that responsibility unless the Board has required the Chief Executive Officer to act personally. Further, any delegation of responsibilities by the Board or its committees to the General Counsel, the Chief Actuary, the Chief Investment Officer or any other CalPERS staff member or to contractors shall be

deemed to be a delegation by the Board directly to the Chief Executive Officer who then sub-delegated such responsibilities to such individual.

5. *Finality.* A delegatee may take final action as to any responsibilities delegated to him or her except where the delegating party requires the delegatee to first secure the delegating party's review and ratification of the delegatee's chosen course of action. Where a delegation does not require the delegating party's review and ratification prior to the delegatee taking action, the delegatee has authority to act finally, and will be responsible and accountable for his or her actions.
6. *Content of Delegations.* Delegations should be clear and specific as to (a) what specific authority, responsibility or action is being delegated and to whom, (b) whether sub-delegation is permitted, and (c) whether the delegatee is authorized to act finally or whether action by the delegatee is subject to review and ratification or reversal by the grantor of the delegation.
7. *Formality.* All delegations should be memorialized in writing either before or after the delegation.

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